
AGENCY OVERVIEW**192 Public Employees Retirement System**

Date: 12/23/2014**Time:** 12:00:08**Statutory Authority**

North Dakota Century Code Chapters 39-03.1, 52-11-01, 54-52, 54-52.1, 54-52.2, 54-52.3 and 54-52.6.

Agency Description

The Public Employees Retirement System is the administrator of several employee benefit plans for state employees and employees of participating political subdivisions. The plans include the following:

- Six Defined Benefit Retirement Plans
- Defined Contribution Retirement Plan
- Deferred Compensation Plan
- Retiree Health Insurance Credit Plan
- Group Health Insurance Plan
- Group Life Insurance Plan
- Voluntary Insurance Products (dental, vision, long-term care plans)
- Employee Assistance Program
- Pretax Benefits Program (FlexComp)

Agency Mission Statement

The mission of the Agency is to design, communicate and efficiently administer a viable employee benefits program within a framework of prudent risk taking, applicable state and federal laws, and professional and ethical standards so as to provide an employee benefits package to North Dakota public employees that is among the best available from public and private employers in the upper Midwest, the most affordable for our participating employers and beneficial to the taxpayers of North Dakota.

Agency Performance Measures

NDPERS is audited annually by an independent audit firm. The agency has always received a clean, unqualified financial audit opinion.

NDPERS has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for our comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The agency has prepared a CAFR and received this award for the last eighteen consecutive years.

Major Accomplishments

1. Implemented the second year of retirement contribution increases for employers and employees effective January 1, 2013.
2. Submitted legislation to implement the last two years of the contribution increases for 2014 and 2015 to complete the four year Recovery Plan to return all plans to 100 percent funding status.
3. Implemented legislation to offer all state employees hired on or after October 1, 2013 the opportunity to elect to join the Defined Contribution Plan.
4. Started an asset allocation review for the Job Service Retirement Plan.
5. Reviewed and adopted updated investment policies for the Defined Contribution Retirement Plan and Deferred Compensation Companion Plan.
6. Started working with State Auditor's office, plan actuary and plan auditor to develop an implementation plan for accounting and financial reporting for pension plans. Provided initial training in June 2014 for a pilot group of participating employers and their auditors.
7. Reviewed bids for the dental plan and selected a new vendor. Transitioned to the new vendor was effective January 1, 2013.
8. Prepared and distributed an RFP for the health plan in 2012, reviewed bids and selected existing vendor.
9. Submitted legislation, considered and passed to comply with the Patient Protection and Affordable Care Act..
10. Conducted annual Wellness Forums for Employer Based Wellness Program and a retiree wellness fair.
11. Completed annual renewals of the Employer Based Wellness Program.
12. Prepared and distributed an RFP for the OPEB valuation; reviewed bids and selected a new vendor.

AGENCY OVERVIEW**192 Public Employees Retirement System**

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13. Prepared and distributed RFPs for the health plan in 2014.
14. Worked with the Department of Health, Department of Human Services and Indian Affairs Department to prepare a report for the North Dakota Legislature on the status of diabetes efforts in North Dakota.
15. Prepared an RFP and issued for processing spending account claims. Transition to the new vendor was effective January 1, 2013.
16. Transitioned to the new claims processing vendor and expanded claim payment options to include ability to file claims on-line, use mobile applications, auto adjudication and debit cards.
17. Rolled out Member Self Service (MSS) to all employees during 2013. MSS was available for the 2013 annual enrollment period for employees to make their annual enrollment benefit elections. Over 80 percent of all benefit elections made during annual enrollment were entered through MSS.
18. Started exploring external communication channels that include updating NDPERS website and social media.
19. Implemented legislation passed by the 2013 legislative session and updated our administrative rules.
20. Established a secondary datacenter for disaster recovery of the PERSLink system.
21. Established a Service Level Agreement with ITD for disaster recovery services.
22. Continued work on updating the NDPERS business continuity plan.

Future Critical Issues

- Impact of federal legislation on state and local government pension plans, thus requiring plan modifications to remain in compliance
- Implement the provisions of the Patient Protection and Affordable Care Act as they relate to PERS
- Enhance the long term funding position of the PERS retirement plans by seeking increases in the both the employer and employee contributions
- Maintain an affordable health insurance plan in an environment of rising health care costs
- Continue to increase participation in the deferred compensation plan, which we feel is presently being underutilized
- Integrate and maintain the new business application system (PERSLink)
- Ability to enhance technology and maintain it at a level that allows us to continue providing services to our members in an efficient manner
- Keeping our administrative cost per member stable without decreasing the level or quality of service provided to our members
- Maintaining a low level of staff turnover
- As the scope of programs PERS administers expands, the ability to maintain a prudent level of financial oversight
- Maintain a sufficient rate of return on investments so current contribution rates for our retirement plans remain stable
- For closed retirement plans such as Job Service, examine strategies to insure the flow of assets meets the required benefit payments over the remaining years of the plan
- Implementation of the new GASB statements for pension reporting

REQUEST SUMMARY

192 Public Employees Retirement System

Bill#: SB2022

Date: 12/23/2014

Time: 12:00:08

Biennium: 2015-2017

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
By Major Program					
PERS	6,609,239	7,650,450	542,085	8,192,535	1,087,493
Total Major Program	6,609,239	7,650,450	542,085	8,192,535	1,087,493
By Line Item					
Salaries and Wages	4,440,411	5,016,339	532,832	5,549,171	778,756
Accrued Leave Payments	0	103,217	(103,217)	0	0
Operating Expenses	1,981,042	2,280,894	112,470	2,393,364	308,737
Technology Project Carryover	187,786	0	0	0	0
Contingency	0	250,000	0	250,000	0
Total Line Items	6,609,239	7,650,450	542,085	8,192,535	1,087,493
By Funding Source					
General Fund					
Federal Funds					
Special Funds	6,609,239	7,650,450	542,085	8,192,535	1,087,493
Total Funding Source	6,609,239	7,650,450	542,085	8,192,535	1,087,493
Total FTE	33.00	33.00	0.00	33.00	3.50

REQUEST DETAIL

192 Public Employees Retirement System

Bill#: SB2022

Date: 12/23/2014

Time: 12:00:08

Biennium: 2015-2017

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	3,179,820	3,474,332	475,211	3,949,543	451,248
Salaries - Other	0	0	0	0	35,904
Temporary Salaries	1,335	22,320	(22,320)	0	91,488
Overtime	19,740	17,200	(5,000)	12,200	0
Fringe Benefits	1,239,516	1,502,487	84,941	1,587,428	200,116
Total	4,440,411	5,016,339	532,832	5,549,171	778,756

Salaries and Wages

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	4,440,411	5,016,339	532,832	5,549,171	778,756
Total	4,440,411	5,016,339	532,832	5,549,171	778,756

Accrued Leave Payments

Salaries - Permanent	0	103,217	(103,217)	0	0
Total	0	103,217	(103,217)	0	0

Accrued Leave Payments

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	103,217	(103,217)	0	0
Total	0	103,217	(103,217)	0	0

Operating Expenses

Travel	43,470	56,915	4,085	61,000	0
Supplies - IT Software	228,613	444,680	22,835	467,515	650
Supply/Material-Professional	4,028	4,101	0	4,101	0
Office Supplies	35,209	50,501	(6,765)	43,736	3,840
Postage	291,711	314,080	0	314,080	0
Printing	123,103	91,090	2,774	93,864	0
IT Equip Under \$5,000	28,958	64,000	(50,600)	13,400	4,800
Other Equip Under \$5,000	1,596	5,000	1,000	6,000	14,800
Office Equip & Furn Supplies	28,210	0	0	0	0
Insurance	3,706	4,800	0	4,800	0
Rentals/Leases-Equip & Other	13,742	20,460	0	20,460	0
Rentals/Leases - Bldg/Land	253,888	280,000	44,660	324,660	53,778
Repairs	11,321	12,096	0	12,096	0
IT - Data Processing	330,185	383,499	14,160	397,659	6,559

REQUEST DETAIL

192 Public Employees Retirement System

Bill#: SB2022

Date: 12/23/2014

Time: 12:00:08

Biennium: 2015-2017

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
IT - Communications	49,080	48,386	0	48,386	2,880
IT Contractual Svcs and Rprs	347,428	352,200	41,321	393,521	221,430
Professional Development	38,020	46,112	0	46,112	0
Operating Fees and Services	65,951	73,995	39,000	112,995	0
Fees - Professional Services	82,823	28,979	0	28,979	0
Total	1,981,042	2,280,894	112,470	2,393,364	308,737
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	1,981,042	2,280,894	112,470	2,393,364	308,737
Total	1,981,042	2,280,894	112,470	2,393,364	308,737
Technology Project Carryover					
IT Contractual Svcs and Rprs	187,786	0	0	0	0
Total	187,786	0	0	0	0
Technology Project Carryover					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	187,786	0	0	0	0
Total	187,786	0	0	0	0
Contingency					
Special Line Other	0	250,000	0	250,000	0
Total	0	250,000	0	250,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	250,000	0	250,000	0
Total	0	250,000	0	250,000	0
Funding Sources					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	6,609,239	7,650,450	542,085	8,192,535	1,087,493
Total Funding Sources	6,609,239	7,650,450	542,085	8,192,535	1,087,493

CHANGE PACKAGE SUMMARY

192 Public Employees Retirement System

Bill#: SB2022

Date: 12/23/2014

Time: 12:00:08

Biennium: 2015-2017

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<u>Base Budget Changes</u>						
One Time Budget Changes						
A-E 1 Remove one time expenditures		0.00	0	0	(22,000)	(22,000)
Total One Time Budget Changes		0.00	0	0	(22,000)	(22,000)
Ongoing Budget Changes						
A-A 2 General operating expenses		0.00	0	0	134,470	134,470
Base Payroll Change		0.00	0	0	429,615	429,615
Total Ongoing Budget Changes		0.00	0	0	564,085	564,085
Total Base Budget Changes		0.00	0	0	542,085	542,085
<u>Optional Budget Changes</u>						
Ongoing Optional Changes						
A-C 5 Perslink Refinements	1	0.00	0	0	147,000	147,000
A-C 6 Accounting Position	2	1.00	0	0	216,069	216,069
A-C 7 Benefits Position	3	0.50	0	0	51,346	51,346
A-C 8 Temporary Position	4	0.00	0	0	122,352	122,352
A-C 9 RHIC Portability	5	0.00	0	0	43,052	43,052
A-C 10 Website Redesign	6	0.00	0	0	73,880	73,880
A-C 11 Secure Reception area	7	0.00	0	0	27,500	27,500
A-C 12 Self Funded Insurance	8	2.00	0	0	406,294	406,294
Total Ongoing Optional Changes		3.50	0	0	1,087,493	1,087,493
Total Optional Budget Changes		3.50	0	0	1,087,493	1,087,493

BUDGET CHANGES NARRATIVE**192 Public Employees Retirement System****Bill#: SB2022****Date:** 12/23/2014**Time:** 12:00:08

Change Group: A	Change Type: A	Change No: 2	Priority: 1
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General operating expenses

Operating expenses were increased by \$179,070 due to inflation. The increases were primarily for office rent, software licensing fees and support costs for the PERSLink system, data processing fees paid to ITD and central service cost allocation. Operating fees and services were also increased by \$5,000 to reflect the filing fee for IRS Determination Letters for retirement plans, which is required every 5 years.

These increases were offset by a decrease of \$50,000 to remove funding related to computer hardware and software that was replaced in the current biennium, following the agency's 4 year hardware replacement cycle.

Change Group: A	Change Type: C	Change No: 5	Priority: 1
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Perslink Refinements

Since implementing the PERSLink system in October 2010, several system refinements have not been able to get completed. This is the result of a high volume of enhancements having to be implemented in a short timeframe and support team size being inadequate to manage the workload. The agency is making an additional investment in the system to complete this backlog. Efforts on this project are scheduled to begin in October 2014 but will not be able to be completed by the end of the 2013-15 biennium. Funding is being requested to pay for additional developers to complete the work on the backlog of system refinements.

Change Group: A	Change Type: C	Change No: 6	Priority: 2
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Accounting Position

Funding is being requested for a new FTE to fill the Chief Financial Officer role for the agency. In recent years, the agency has refined the administrative structure to allow more support for management if one of the team leaves or is out for an extended period. In 2012, the organizational structure was modified to add a Chief Operating Officer (COO). However, in order to accomplish this without additional staffing, the Chief Financial Officer (CFO) was moved into the COO role, but required to also maintain the existing role as CFO, which includes oversight of IT. Consequently, with this transition, the COO functions have not been able to fully develop due to the requirements of the CFO functions. The addition of this FTE will allow the COO role to functions as intended.

When the PeopleSoft system went live, PERS was given the responsibility of maintaining the Benefits Module. Since no new staff was added, that work effort within our office has been divided between three staff. The result is that we are not meeting the expectations of OMB. When upgrades come, we do not have the resources to complete adequate testing within the timeframes required. When something is not working as expected in the system, we are not able to adequately troubleshoot the underlying cause and correct it. The addition of this FTE will provide the agency with additional resources to dedicate effort to this area.

The agency's internal auditors have noted that with the number of federal and state statutes and rules we must now follow, having a central compliance specialist would be beneficial for the agency. This would potentially reduce the risk to the agency of non-compliance, reduce errors and improved consistency in our processes. The addition of this FTE will allow the COO to dedicate effort to this area.

BUDGET CHANGES NARRATIVE**192 Public Employees Retirement System****Bill#: SB2022****Date:** 12/23/2014**Time:** 12:00:08

Change Group: A	Change Type: C	Change No: 7	Priority: 3
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Benefits Position

Funding is being requested to increase an existing position from .5 FTE to 1.0 FTE to provide more support in the Benefits area. The number of retirements processed by PERS continues to grow and we expect this to increase even more into the future. Increasing this position to full-time will help us meet the existing increase and future increases in members retiring.

The agency maintains thousands of pages of material in paper form, on our website and other media. It has become increasingly difficult to keep all the material consistently current. Increasing this position to full-time would allow for a dedicated resource to keep all this information up to date and manage this endeavor.

Change Group: A	Change Type: C	Change No: 8	Priority: 4
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Temprary Position

Funding is being requested for temporary support for several activities that are expected to be of limited duration. These efforts are:

1. To assist with the implementation of HB 1058 that becomes effective 7/1/2015. PERS will be transitioning from providing pre-Medicare retiree health insurance to not providing such services, as well as making the retiree health credit portable.
2. PERS is reviewing the possibility of not offering a Part D product as part of the health insurance plan. If the agency was to discontinue this product in the 2015-17 biennium, there may be some short term implementation actions that would be required.
3. Several major pieces of legislation are under discussion relating to PERS. The first is closing the Defined Benefit/Hybrid retirement plan and second would be requiring state employees to pay a portion of the health insurance premium. Assistance may be necessary in our member service call center and benefits area to deal with the spike in requests for information as a result of this proposed legislation.
4. This position would be able to provide support during the website upgrade and with implementation of other social communication channels.
5. This position could provide short-term assistance with the last of the PERSLink refinements.

Change Group: A	Change Type: C	Change No: 9	Priority: 5
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RHIC Portability

Beginning July 2015, the retiree health credit becomes portable as approved in the 2013-15 legislative session. This provides for retirees to apply for direct reimbursement of their credit; presently, the credit is limited to PERS health insurance. Managing this new provision will increase the workload for this program. We feel we are gaining efficiency within some of our positions as a result of PERSLink, so we will attempt to add this new effort to those positions going forward. Since this would be a new responsibility, funding is being included for workload adjustments for the staff who will be impacted by this.

Change Group: A	Change Type: C	Change No: 10	Priority: 6
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Website Redesign

BUDGET CHANGES NARRATIVE**192 Public Employees Retirement System****Bill#: SB2022****Date:** 12/23/2014**Time:** 12:00:08

Funding is being requested to redesign the NDPERS website. The agency would like to modernize and enhance the site's look, feel and organization to ensure that our stakeholders find the information they seek and can easily conduct business with NDPERS. In addition, the redesign would provide an opportunity to build the site for easy access regardless of the user's device of choice (computer, tablet, mobile phone) and operating system.

This option includes one-time development costs for the website, as well as one year of maintenance costs.

Change Group: A	Change Type: C	Change No: 11	Priority: 7
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Secure Reception area

Funding is being requested to redesign the reception area at the PERS office to better protect member confidentiality and increase office security. This would be a one-time cost.

Change Group: A	Change Type: C	Change No: 12	Priority: 8
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Self Funded Insurance

Funding is being requested for 2 new FTE in the event the PERS Health Insurance Plan was to become self-funded. Currently the health plan is administered as a fully insured plan. If it were to become self-funded, this would clearly add additional administrative efforts and would substantially increase PERS accountability for the plan. The need for this optional package is contingent on the outcome of the health plan bid process which is scheduled to be completed in 2014.

Change Group: A	Change Type: E	Change No: 1	Priority: 1
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Remove one time expenditures

The agency received an appropriation of \$22,000 as part of HB 1452 to cover costs related to expanding eligibility in the Defined Contribution plan to all State employees. The new eligibility provisions were implemented effective October 1, 2013; therefore, this appropriation will not be carried forward into the 15-17 biennium. Ongoing costs for this program are part of general operating expenses.

Change Group: R	Change Type: A	Change No: 1	Priority:
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Accounting Position

Provides \$216,609 and 1.00 FTE for a Chief Financial Officer position. Additional duties such as maintaining and coordinating testing of the benefits modules in PeopleSoft and the need for a central compliance specialist due to several new federal and state statutes have increased the workload beyond what can be handled by a combined Chief Operating Officer/Chief Financial Officer position.

Change Group: R	Change Type: A	Change No: 2	Priority:
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Benefits Position

BUDGET CHANGES NARRATIVE**192 Public Employees Retirement System****Bill#: SB2022****Date:** 12/23/2014**Time:** 12:00:08

Provides \$51,346 and a .50 FTE for more support in the benefits area. The number of retirements continues to increase and it is anticipated there will be more in the future.

Change Group: R	Change Type: A	Change No: 3	Priority:
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Temporary Position

Provides \$122,352 temporary funding to assist with the transition to having a portable retiree health credit for pre-Medicare retirees, assist with the number of calls received due to proposed and actual legislative changes and provide support during the website upgrade.

Change Group: R	Change Type: A	Change No: 4	Priority:
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Retiree Health Insurance Credit Portability

Provides \$43,052 for workload increases. The PERSLink system has caused efficiencies that will enable the current staff to assume the additional duties that will occur due to changing the retiree health credit to portable, beginning July 2015.

Change Group: R	Change Type: A	Change No: 5	Priority:
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Self-Funded Insurance

Provides \$406,294 and 2.00 FTE in the event PERS Health Insurance becomes self-funded.

Change Group: R	Change Type: A	Change No: 100	Priority:
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Executive Compensation Package Adjustment

This budget change provides funding for recommended 2015-17 compensation adjustments.

Change Group: R	Change Type: B	Change No: 1	Priority:
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PERSLink Refinements

Provides \$147,000 to implement several PERSLink system refinements. Several refinements need to be implemented in a short timeframe and due to the small staff size are unable to complete the backlog of updates.

Change Group: R	Change Type: B	Change No: 2	Priority:
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Website Redesign

Provides \$73,880 for website redesign, which would also accommodate mobile access.

Change Group: R	Change Type: B	Change No: 3	Priority:
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Secure Reception Area

BUDGET CHANGES NARRATIVE**192 Public Employees Retirement System****Bill#: SB2022****Date:** 12/23/2014**Time:** 12:00:08

Provides \$27,500 to redesign the reception area providing more security and confidentiality for members.